

OVERSTRAND MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 42, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Adv. J F Koekemoer
Municipal Manager

Date

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OVERSTRAND MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net assets		387 382 914	276 555 995
Housing Development Fund	1	3 305 463	3 210 167
Capital replacement reserve		66 436 547	38 501 673
Capitalisation reserve		93 465 509	101 749 081
Government grant reserve		45 571 373	31 839 296
Donations and public contribution reserves		5 855 084	2 896 133
Self-Insurance reserve		27 080	80 980
Accumulated Surplus/(Deficit)		172 721 858	98 278 664
Non-current liabilities		61 146 981	72 104 484
Long-term liabilities	2	50 554 981	40 542 084
Non-current provisions	3	10 592 000	31 562 400
Current liabilities		141 460 226	102 293 576
Consumer deposits	4	8 861 602	7 730 722
Provisions	5	2 150 000	0
Creditors	6	98 606 694	25 776 186
Unspent conditional grants and receipts	7	24 852 485	23 739 502
Current portion of long-term liabilities	2	6 989 445	45 047 165
Total Net Assets and Liabilities		589 990 121	450 954 054
ASSETS			
Non-current assets		355 795 457	290 747 701
Property, plant and equipment	9	346 977 897	247 378 327
Investment Property	10	0	33 645 323
Investments	11	7 962 693	7 962 693
Long-term receivables	12	854 867	1 761 358
Current assets		234 194 664	160 206 353
Inventory	13	1 899 515	1 468 993
Consumer debtors	14	25 521 252	20 171 612
Other debtors	15	61 225 456	6 886 443
Current portion of long-term debtors	12	547 058	807 891
VAT	8	4 939 750	22 991
Call investment deposits	16	55 017 454	109 455 591
Bank balances and cash	17	85 044 179	21 392 831
Total Assets		589 990 121	450 954 054

OVERSTRAND MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2007

		Actual	
	Note	2007 R	2006 R
REVENUE			
Property rates	18	71 981 101	62 414 355
Property rates - penalties imposed and collection charges		335 289	483 309
Service charges	19	174 696 958	152 708 429
Rental of facilities and equipment		5 371 142	5 015 792
Interest earned - external investments		12 846 661	8 030 838
Interest earned - outstanding debtors		1 139 731	1 270 799
Dividends received		3 504	3 504
Fines		2 718 379	2 879 543
Licences and permits		1 569 973	1 841 462
Income for agency services		4 256 760	12 457 873
Government grants and subsidies	20	30 599 252	20 617 664
Other income	21	10 637 264	8 127 391
Public contributions, donated and contributed property, plant and equipment		3 111 588	3 538 641
Gains on disposal of property, plant and equipment		56 430 776	640 609
Total Revenue		375 698 378	280 030 208
EXPENDITURE			
Employee related costs	22	88 058 032	80 469 030
Remuneration of Councillors	25	3 882 186	2 273 433
Bad debts		315 963	3 500 000
Collection costs			284 892
Depreciation		23 693 250	19 577 261
Repairs and maintenance		32 755 117	19 878 301
Interest paid	23	6 397 901	5 646 720
Bulk purchases	24	39 843 698	34 106 609
Contracted services		5 106 079	4 993 359
Grants and subsidies paid	26	12 778 026	6 902 837
General expenses		55 824 885	73 658 214
Total Expenditure		268 655 137	251 290 656
SURPLUS/(DEFICIT) FOR THE YEAR		107 043 241	28 739 552
Refer to Appendix E(1) for the comparison with the approved budget			

Due to GRAP/GAMAP reporting framework it appears as if a large surplus has realised for the financial year. The appropriations against the surplus are reflected in the statement of Change in Net Assets and amounts to R97 668 050. The realisable surplus for the year under review amounts to R9 375 192.

OVERSTRAND MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	Housing Development Fund R	Capital Replacement Reserve R	Capitalisation Reserve R	Government Grant Reserve R	Donations and Public Contribution Reserve R	Self Insurance Reserve R	Accumulated Surplus/ (Deficit) R	Total R
2006								
Balance at 1 July 2005	9 857 444	13 553 751	110 465 115	27 427 213	927 572	15 985	89 716 325	251 963 406
Correction of error (Note 28)							-4 146 963	-4 146 963
Change in accounting policy (Note 27)								0
Restated balance	9 857 444	13 553 752	110 465 115	27 427 213	927 572	15 985	85 569 362	247 816 443
Net surplus/(deficit) for the year							28 739 552	28 739 552
Transfer to CRR		37 790 689					-37 790 689	0
Property, plant and equipment purchased		-12 842 767					12 842 767	0
Capital grants used to purchase PPE				6 440 886			-6 440 886	0
Donated/contributed PPE					2 020 189		-2 020 189	0
Contribution to Insurance Reserve						192 953	-192 953	0
Insurance claims processed						-127 959	127 959	0
Transfer to Housing Development Fund	-6 647 277						6 647 277	0
Asset disposals								0
Offsetting of depreciation			-8 716 035	-2 028 803	-51 628		10 796 465	0
Balance at 30 June 2006	3 210 167	38 501 674	101 749 081	31 839 296	2 896 133	80 980	98 278 664	276 555 994
2007								
Correction of error (Note 28)							-502 847	-502 847
Change in accounting policy (Note 27)							4 286 525	4 286 525
Restated balance at 1 July 2006	3 210 167	38 501 674	101 749 081	31 839 296	2 896 133	80 980	102 062 342	280 339 672
Net surplus/(deficit) for the year							107 043 241	107 043 241
Transfer to CRR		78 538 517					-78 538 517	0
Property, plant and equipment purchased		-50 603 644					50 603 644	0
Capital grants used to purchase PPE				15 976 549			-15 976 549	0
Donated/contributed PPE					3 111 588		-3 111 588	0
Contribution to Insurance Reserve						2 216	-2 216	0
Insurance claims processed						-56 116	56 116	0
Transfer to Housing Development Fund	95 296						-95 296	0
Asset disposals							0	0
Offsetting of depreciation			-8 283 572	-2 244 472	-152 637		10 680 681	0
Balance at 30 June 2007	3 305 463	66 436 547	93 465 509	45 571 373	5 855 084	27 080	172 721 858	387 382 913

OVERSTRAND MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		222 525 452	265 370 681
Cash paid to suppliers and employees		161 940 895	220 869 419
Cash generated from/(utilised in) operations	29	60 584 557	44 501 262
Dividends received		3 504	3 504
Interest received		13 986 392	9 301 636
Interest paid		-6 397 901	-5 646 720
NET CASH FROM OPERATING ACTIVITIES		68 176 552	48 159 683
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-106 860 973	-38 300 018
Proceeds on disposal of property, plant and equipment		56 430 776	640 609
(Increase)/decrease in PPE due to change in accounting policy		-16 431 848	
(Increase)/decrease in investment properties		33 645 323	-7 475 054
(Increase)/decrease in non-current receivables		1 167 324	6 738 752
(Increase)/decrease in non-current investments		0	32 718 818
(Increase)/decrease in call investment deposits		54 438 137	-20 692 581
NET CASH FROM INVESTING ACTIVITIES		22 388 739	-26 369 474
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		-28 044 822	299 333
Increase/(decrease) in consumer deposits		1 130 880	1 088 371
NET CASH FROM FINANCING ACTIVITIES		-26 913 943	1 387 704
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		63 651 348	23 177 912
Cash and cash equivalents at the beginning of the year	17	21 392 831	-1 785 081
Cash and cash equivalents at the end of the year	17	85 044 179	21 392 831

The Cash Flow Statement has been restated for 2006 to correct the errors that were reported in the audit report for the year ended 30 June 2006

OVERSTRAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

The annual financial statements have been prepared in accordance with the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) and the Standards of Generally Recognised Accounting Practice (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interest in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 6, 7, and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.	

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality are attached as Annexure A and have been provided for in the notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

2. PRESENTATION CURRENCY

The annual financial statements are presented in South African Rand and are rounded off to the nearest R1.

3. GOING CONCERN ASSUMPTION

The annual financial statements have been prepared on the assumption that the municipality is a going concern and will continue in operation for the foreseeable future.

**OVERSTRAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

5. RESERVES

5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ (deficit) to the CRR in terms of the Annual Budget. The cash in the CRR Account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/ (deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/ (deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/ (deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit). When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

OVERSTRAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

5.5 Self-Insurance Reserve

The Municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the self-insurance fund is invested in short-term investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

5.6 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/ (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/ (deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

7. PROPERTY, PLANT AND EQUIPMENT

7.1 Fixed Assets

Property, plant and equipment, is stated at cost, less accumulated depreciation.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The recognition of impairment losses has not been done as it is exempted. It is expected that an assessment of impairments will be done by 30 June 2009.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded or the further development of an asset so that its original life is extended is examples of subsequent expenditure which should be capitalised.

7.2 Depreciation

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives (unless a technical assessment of an individual asset concludes that a material variation is necessary):

	Years		Years
Infrastructure		Other	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	1-7
Sewerage	15-20	Furniture and fittings	1-10
Housing	30	Watercraft	15
		Bins and containers	5
Community		Specialized plant and equipment	10-15
Improvements	30	Other plant and equipment	2-5
Recreational Facilities	20-30	Intangible assets	2-5
Security	5		

**OVERSTRAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

The review of the useful life and the depreciation method of recognised assets were not assessed. It is expected that this assessment will be done by 30 June 2009.

7.2.1 Heritage assets

These are assets that are defined as culturally significant resources which are not depreciated owing to the uncertainty regarding their estimated useful lives.

7.2.2 Land

Land is not depreciated as it is deemed to have an indefinite life.

7.2.3 Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use.

7.2.4 Non-current assets held for sale

The re-classification of non-current assets to current assets when it is held for sale was not done as this Standard, IFRS 5 has been exempted. This will be done by 30 June 2009.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

7.2.5 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, where applicable.

In terms of IAS 38, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives.

Intangible assets with finite useful lives are amortised over its useful life.

7.3 Landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions – see Accounting Policy 13 on Provisions.

7.4 Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance. The Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2009.

8. INVESTMENT PROPERTY

Investment property is property held to earn rental revenue or for capital appreciation or both. The assets that were incorrectly classified as Investment Properties have been reverted back to Property, Plant and Equipment. It is expected that assets recognised as Investment Property, will be done by 30 June 2009.

9. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

9.1 Financial Assets

In accordance with IAS 32 and IAS 39, the municipality classifies its investments in the following categories:

- Loans and Debtors,
- Investments to be kept until maturity and
- Financial assets available for sale.

**OVERSTRAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. This will be done by 30 June 2009.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

9.1.1 Loans and Debtors

Loans and debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the municipality provides money, goods or services directly to a debtor without any intention of trading such debtors. Loans and debtors are included in consumer and other debtors in the balance sheet and carried at amortised cost.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

9.1.2 Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable dates of maturity which the municipality intend and are able to keep to maturity. They are included under non-current and current assets in the balance sheet and carried at cost.

9.1.3 Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that designated as available-for-sale and comprises of cash and equity instruments held in shares. They are included under current assets in the balance sheet and are carried at cost.

9.2 Financial Liabilities

In accordance with IAS 32 and IAS 39, financial liabilities are classified in the following categories:

- Contracted obligations and
- Loans to be kept until maturity.

9.2.1 Contractual Obligations

Financial liabilities representing a contractual obligation to deliver cash in the future are reflected as creditors payable in the balance sheet under current liabilities. They are stated at fair value through profit and loss.

9.2.2 Loans Held-to-maturity

Loans held-to-maturity are long term financial liabilities with fixed or determinable dates of maturity which the municipality intend and are able to keep to maturity. They are included under non-current liabilities in the balance sheet and are carried at amortised cost.

10. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs. Unsold properties that meet the definition of Inventory need not be re-classified or recorded as inventories. They are being disclosed along with property, plant and equipment in the annual financial statements.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

**OVERSTRAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

11. REVENUE RECOGNITION

Revenue involves the fair value of the remuneration received or receivable for the sale of services or goods in the ordinary course of the municipality's activities.

Revenue is shown net of value-added tax and allowances and discounts. Revenue is recognised as follows:

11.1 Revenue from Exchange Transactions

11.1.1 Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

11.1.2 Pre-paid electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

11.1.3 Interest earned

Interest and rentals are recognised on a time proportion basis.

11.1.4 Dividends

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

11.1.5 Charges

Revenue arising from the application of the approved tariff of charges is recognised when the service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

11.1.6 Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

11.1.7 Housing rental and instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

11.1.8 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- ◆ The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- ◆ The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- ◆ The amount of revenue can be measured reliably.
- ◆ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- ◆ The costs incurred or to be incurred in respect of the transaction can be measured reliably.

11.1.9 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

**OVERSTRAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

11.2 Revenue from non-exchange transactions

11.2.1 Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

11.2.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

11.2.3 Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

11.2.4 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

12. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

13. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

14 POST RETIREMENT BENEFITS

14.1 Pension, Provident and Retirement Funds

The Municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

14.2 Medical Aid: Continued Members

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the Municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

**OVERSTRAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

15. LEASES

The Municipality as Lessee

In terms of IAS 17, leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

16. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

17. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried in the balance sheet at cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**OVERSTRAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

22. COMPARATIVE INFORMATION

22.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements.

22.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements are amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund	3 305 463	3 210 167
Unappropriated Surplus	<u>3 305 463</u>	<u>3 210 167</u>
The Housing Development Fund is represented by the following assets and liabilities		
Instalment Sales Debtors (see note 12)	49 700	50 401
Consumer Debtors (see note 14)	9 942	979 384
Cash and cash equivalents	<u>3 245 821</u>	<u>2 180 382</u>
Total Housing Development Fund Assets and Liabilities	<u>3 305 463</u>	<u>3 210 167</u>
2 LONG TERM LIABILITIES		
Annuity Loans	57 544 426	47 449 750
Capitalised Lease Liability	<u>0</u>	<u>38 139 498</u>
Sub-Total	57 544 426	85 589 248
Less: Current portion transferred to current liabilities	6 989 445	45 047 165
Annuity Loans	<u>6 989 445</u>	<u>45 047 165</u>
Total External Loans	<u>50 554 981</u>	<u>40 542 084</u>
Refer to Appendix A for more detail on long-term liabilities.		
3 NON-CURRENT PROVISIONS		
Provision for rehabilitation of tip sites	3 282 000	4 432 000
Provision for the clearing out of alien vegetation	3 500 000	1 225 000
Provision for the cleaning up of illegal dumping	3 810 000	4 405 400
Provision for post retirement benefits	0	21 500 000
Total Non-Current Provisions	<u>10 592 000</u>	<u>31 562 400</u>
Provision for rehabilitation of tip sites		
Balance at beginning of year	4 432 000	4 432 000
Transfer from non-current		
Contributions to provision	0	0
Transfer to current provisions	<u>-1 150 000</u>	<u>0</u>
Balance at end of year	<u>3 282 000</u>	<u>4 432 000</u>
Provision for the clearing out of alien vegetation		
Balance at beginning of year	1 225 000	1 225 000
Transfer from non-current		
Contributions to provision	3 275 000	0
Transfer to current provisions	<u>-1 000 000</u>	<u>0</u>
Balance at end of year	<u>3 500 000</u>	<u>1 225 000</u>
Provision for the cleaning up of illegal dumping		
Balance at beginning of year	4 405 400	4 405 400
Transfer from non-current	-595 400	
Contributions to provision	0	0
Transfer to current provisions	<u>0</u>	<u>0</u>
Balance at end of year	<u>3 810 000</u>	<u>4 405 400</u>
Provision for post retirement benefits		
Balance at beginning of year	21 500 000	
Transfer from non-current		
Contributions to provision	0	21 500 000
Transfer to Accumulated Surplus (See note 28)	<u>-21 500 000</u>	<u>0</u>
Balance at end of year	<u>0</u>	<u>21 500 000</u>

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
4 CONSUMER DEPOSITS		
Electricity and water	8 861 602	7 730 722
Total Consumer Deposits	8 861 602	7 730 722
5 PROVISIONS		
Rehabilitation of tip sites	1 150 000	
Clearing out of alien vegetation	1 000 000	
Cleaning up of illegal dumping	0	0
Total Provisions	2 150 000	0
The movement in current provisions are reconciled as follows:		
Balance at beginning of year	0	0
Transfer from non-current	2 150 000	0
Contributions to provision	0	0
Expenditure incurred	0	0
Balance at end of year	2 150 000	0
6 CREDITORS		
Trade creditors	32 229 350	7 550 630
Staff leave	4 842 455	4 054 237
Payments received in advance	4 476 392	4 534 701
Suspense accounts	2 255 447	1 207 107
Control account - salaries	0	55 643
Control account - sundry	42 274 750	938 912
Control account - Creditors	2 084 867	834
Retention money	3 837 508	1 483 853
Deposits - Builders	6 093 709	5 695 259
Deposits - Other	154 553	157 909
Insurance claims	19 366	7 856
Prepaid Vending	338 298	89 245
Total Creditors	98 606 694	25 776 186
7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
7.1 Conditional Grants from other spheres of Government	7 400 367	8 184 174
National Government Grants	1 172 647	1 898 597
Provincial Government Grants	6 225 996	6 183 853
District Municipality Grants	1 724	101 724
7.2 Other Conditional Receipts	17 452 118	15 555 328
Developers Contribution - Electricity	3 159 542	3 116 363
Developers Contribution - Water	6 936 989	5 300 929
Developers Contribution - Sewerage	4 060 339	3 047 409
Developers Contribution - Roads	16 702	0
Developers Contribution - Storm Water	24 612	450 900
Developers Contribution - Sandbaai Erf 1448 - 14 Units	731 245	257 089
Developers Contribution - Parking	1 888 608	1 915 759
Public contributions	634 080	1 466 878
Total Conditional Grants and Receipts	24 852 485	23 739 502
8 VAT		
Vat receivable/ (payable)	4 939 750	22 991

Vat is payable on the receipt basis. Only when payment is received from debtors, VAT is paid over to SARS.

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

9 PROPERTY, PLANT AND EQUIPMENT

See next spreadsheet (note 9)

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
10 INVESTMENT PROPERTY		
Fair Value	0	33 645 323
Total Investment Property	<u>0</u>	<u>33 645 323</u>

Reconciliation of investment property

Opening balance of investment property	33 645 323	26 170 269
Transferred (See note 28)	-33 645 323	7 475 054
Closing balance of investment property	<u>0</u>	<u>33 645 323</u>

The value of investment properties recorded in the 2006 financial year, have been re-allocated to Property, Plant and Equipment and to the Accumulated Surplus, as the classification of those properties as Investment Properties have been exempted in terms of Gazette 30013.

The recognition of assets as Investment Properties will be done by 30 June 2009.

Revenues earned from rentals are included in the statement of financial performance.

11 INVESTMENTS

Financial Instruments

Fixed Deposits	<u>7 962 693</u>	<u>7 962 693</u>
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12 LONG-TERM RECEIVABLES

Land sales	38 120	38 120
Officials: Car loans	830 119	1 850 244
Officials: Study loans	27 909	59 764
Officials: Bursary Fund	4 206	4 206
Housing selling scheme loans	49 700	50 401
Sport clubs	451 871	566 514
	<u>1 401 925</u>	<u>2 569 250</u>
Less: Current portion transferred to current receivables	547 058	807 891
Officials: Car loans	375 880	592 221
Officials: Study loans & Bursaries	32 115	63 970
Housing scheme loans	49 700	50 401
Sport clubs	89 364	101 299
Sundry	0	0
Total	<u>854 867</u>	<u>1 761 358</u>

CAR LOANS

Senior staff were entitled to car loans which attracts interest at 8% per annum and which are repayable over a maximum period of 6 years. These loans are repayable in the year 2010.

13 INVENTORY

Consumable stores - at cost	1 899 515	1 468 993
Total Inventory	<u>1 899 515</u>	<u>1 468 993</u>

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

14 CONSUMER DEBTORS

	Gross Balances	Provision for Bad Debts	Net Balance
As at 30 June 2007			
Service debtors	34 460 877	9 854 346	24 606 531
Rates	9 671 928	1 675 036	7 996 893
Trading Services (Electricity & Water)	17 232 710	4 649 385	12 583 325
Economic Services (Sewerage & Refuse)	7 556 239	3 529 926	4 026 313
Housing Rentals	9 942	4 666	5 276
Other	2 689 456	1 780 010	909 445
Total	37 160 274	11 639 022	25 521 252
As at 30 June 2006			
Service debtors	35 220 683	15 594 808	19 625 874
Rates	6 880 395	3 046 461	3 833 934
Trading Services (Electricity & Water)	19 010 198	8 417 224	10 592 973
Economic Services (Sewerage & Refuse)	9 330 090	4 131 123	5 198 967
Housing Rentals	979 384	433 646	545 738
Other	0	0	0
Total	36 200 067	16 028 454	20 171 612
	2007 R	2006 R	
Rates: Ageing			
Current (0 - 30 days)	4 689 564	2 883 916	
31 - 60 Days	2 058 659	623 902	
61 - 90 Days	391 790	189 047	
91 - 120 Days	94 034	176 096	
+ 120 Days	2 437 881	3 007 425	
Total	9 671 928	6 880 385	
Trading Services (Electricity and Water): Ageing			
Current (0 - 30 days)	9 432 337	8 396 095	
31 - 60 Days	1 696 599	2 131 085	
61 - 90 Days	858 793	669 669	
91 - 120 Days	595 596	729 845	
+ 120 Days	4 649 385	7 083 503	
Total	17 232 710	19 010 198	
Economic Services (Sewerage and Refuse): Ageing			
Current (0 - 30 days)	2 763 543	3 197 995	
31 - 60 Days	598 570	616 211	
61 - 90 Days	395 587	373 947	
91 - 120 Days	268 613	299 177	
+ 120 Days	3 529 926	4 842 761	
Total	7 556 239	9 330 090	
Housing rentals: Ageing			
Current (0 - 30 days)	2 439	168 871	
31 - 60 Days	1 330	44 120	
61 - 90 Days	784	40 954	
91 - 120 Days	724	40 161	
+ 120 Days	4 666	685 277	
Total	9 942	979 384	
Other: Ageing			
Current (0 - 30 days)	638 987	0	
31 - 60 Days	137 334	0	
61 - 90 Days	79 868	0	
91 - 120 Days	53 257	0	
+ 120 Days	1 780 010	0	
Total	2 689 456	0	

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Summary of Debtors by Customer Classification

30 June 2007	Consumers	Industrial/ Commercial	National and Provincial Gov
	R	R	R
Current (0 - 30 days)	14 655 110	2 568 715	303 045
31 - 60 Days	3 933 827	500 415	58 249
61 - 90 Days	1 502 789	194 913	29 120
91 - 120 Days	907 486	83 078	21 661
+ 120 Days	9 513 615	2 125 408	762 845
Sub-total	30 512 826	5 472 529	1 174 919
Less: Provision for bad debts	9 513 615	2 125 408	0
Total debtors by customer classification	20 999 212	3 347 121	1 174 919

30 June 2006	Consumers	Industrial/ Commercial	National and Provincial Gov
	R	R	R
Current (0 - 30 days)	11 141 598	2 758 013	-72 835
31 - 60 Days	2 805 973	539 215	107 831
61 - 90 Days	1 057 045	192 435	50 041
91 - 120 Days	1 067 497	160 829	44 224
+ 120 Days	13 967 517	1 245 743	1 134 940
Sub-total	30 039 631	4 896 235	1 264 201
Less: Provision for bad debts	14 715 959	1 312 495	0
Total debtors by customer classification	15 323 672	3 583 740	1 264 201

	2007 R	2006 R
15 OTHER DEBTORS		
Control accounts - salaries	60 370	26 253
Control accounts - sundry	14 539 475	112 599
Control accounts - debtors	46 578 289	6 457 814
Subsidy claims	0	242 455
Deposits	47 322	47 322
Total Other Debtors	61 225 456	6 886 443

16 CALL INVESTMENT DEPOSITS

Overberg Agri Shares (4672 ordinary shares)	17 454	17 454
Other Deposits	55 000 000	109 438 137
	55 017 454	109 455 591

Market valuation of listed investments

Overberg Agri Shares (4672 ordinary shares)	259 763	24 528
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OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
17 BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts:		
ABSA - Account Number 322 000 0035 (Hermanus - Primary Bank Account)		
Cash book balance at beginning of year	31 600 965	-2 881 693
Cash book balance at end of year	<u>140 340 482</u>	<u>31 600 965</u>
Bank statement balance at beginning of year	24 951 006	4 280 080
Bank statement balance at end of year	<u>103 879 545</u>	<u>24 951 006</u>
ABSA - Account Number 322 017 0240 (Gansbaai)		
Cash book balance at beginning of year	-2 272 730	581 908
Cash book balance at end of year	<u>-18 649 801</u>	<u>-2 272 730</u>
Bank statement balance at beginning of year	4 849 814	684 981
Bank statement balance at end of year	<u>1 145 293</u>	<u>4 849 814</u>
ABSA - Account Number 405 835 6861 (Hangklip-Kleinmond)		
Cash book balance at beginning of year	-9 050 571	284 943
Cash book balance at end of year	<u>-29 400 193</u>	<u>-9 050 571</u>
Bank statement balance at beginning of year	5 092 135	570 740
Bank statement balance at end of year	<u>1 089 905</u>	<u>5 092 135</u>
ABSA - Account Number 405 589 9787 (Onrus Caravan Park)		
Cash book balance at beginning of year	29 355	6 510
Cash book balance at end of year	<u>-253 046</u>	<u>29 355</u>
Bank statement balance at beginning of year	38 812	1 112
Bank statement balance at end of year	<u>13 237</u>	<u>38 812</u>
ABSA - Account Number 405 642 0921 (Traffic Department)		
Cash book balance at beginning of year	1 076 991	214 431
Cash book balance at end of year	<u>-111 828</u>	<u>1 076 991</u>
Bank statement balance at beginning of year	1 179 909	214 431
Bank statement balance at end of year	<u>399 224</u>	<u>1 179 909</u>
ABSA - Account Number 406 657 8021 (Debtors Acc's)		
Cash book balance at beginning of year	0	0
Cash book balance at end of year	<u>-6 891 354</u>	<u>0</u>
Bank statement balance at beginning of year	0	0
Bank statement balance at end of year	<u>1 606 441</u>	<u>0</u>
Cash on hand in cash floats:	9 920	8 820
Total Bank and Cash	<u><u>85 044 179</u></u>	<u><u>21 392 831</u></u>

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
18 PROPERTY RATES		
Income		
Residential	61 789 189	54 621 900
Commercial	7 846 984	5 602 926
Agricultural	<u>2 344 927</u>	<u>2 189 528</u>
	71 981 101	62 414 355
Less: Exempted properties	<u>0</u>	<u>0</u>
Total Assessment Rates	<u>71 981 101</u>	<u>62 414 355</u>
	Jun 2007 R000's	Jun 2006 R000's
Valuations		
Residential	9 752 383	9 042 394
Commercial	1 070 874	927 538
Agricultural	353 762	362 466
Exempted properties	<u>293 040</u>	<u>277 853</u>
Total Property Valuations	<u>11 470 059</u>	<u>10 610 251</u>

Valuations on land and buildings are undertaken every four years. The last valuation came into effect on 1 July 2003. Interim valuations are processed annually. A general rate of 0,6372 c/R and 0,7328 c/R for residential and commercial respectively (2005/2006: 0,610 c/R and 0,701 c/R) is applied to property valuations to determine assessment rates. Rebates ranging between 20% & 40% are applied to pensioners and up to 90% on certain rural properties. Rates are levied on an annual basis and can be paid in instalments or annually. The final date of payment for annual rates was 30 September 2006. Interest at prime plus 1% is levied on outstanding rates.

	2007 R	2006 R
19 SERVICE CHARGES		
Sale of electricity	82 891 055	69 740 636
Sale of water	41 210 674	37 503 060
Refuse removal	24 635 442	22 313 224
Sewerage and sanitation charges	<u>25 959 788</u>	<u>23 151 509</u>
Total Service Charges	<u>174 696 958</u>	<u>152 708 429</u>

20 GOVERNMENT GRANTS AND SUBSIDIES

Operating:		14 622 703	14 258 531
National FMG Grant	20.1A	1 225 950	1 087 490
National Equitable share	20.1B	13 018 253	9 968 928
Provincial Health Subsidy	20.2B	0	1 129 311
Provincial Proclaimed Roads Maintenance	20.2C	368 000	1 854 033
Provincial Cleanest Town	20.2F	0	54 832
Provincial Town Planning Subsidy	20.2M	0	50 000
Provincial Other	20.2N	10 500	113 936
Capital Projects:		15 976 549	6 359 134
National DME - INEP	20.1C	1 500 000	0
Provincial MIG funds 2006/07	20.2A	4 389 000	2 616 313
Provincial Informal Settlement Re-Location	20.2G	5 824	0
Provincial Social Housing Projects	20.2J	7 172 642	3 308 965
Provincial Multipurpose Centre	20.2K	2 909 082	250 330
Overberg DM Health Centre	20.3A	0	183 526
Total Government Grant and Subsidies		<u>30 599 252</u>	<u>20 617 664</u>

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
20.1A Conditional Grants: National - FMG Grant		
Balance unspent at beginning of year	1 898 597	1 486 087
Current year receipts	500 000	1 500 000
Conditions met - transferred to revenue	-1 225 950	-1 087 490
Conditions still to be met - transferred to liabilities (see note 7)	<u>1 172 647</u>	<u>1 898 597</u>

The Financial Management Grant is paid by National Treasury to all municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The MFMA Grant also pays for the cost of the Financial Management Internship Programme (eg salary costs of the Financial Management Interns).

20.1B Conditional Grants: National - Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy based on the basic service charges for water, electricity, sewerage, refuse and 6kl free basic water and 50kwh unit of electricity (2005: same principle applied), which is funded from this grant.

20.1C Conditional Grants: National - DME - INEP

Balance unspent at beginning of year	0	0
Current year receipts	1 500 000	
Conditions met - transferred to revenue	-1 500 000	
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>

20.2A Conditional Grants: Provincial - MIG FUNDS 2006/07 Allocation

Balance unspent at beginning of year	0	253 180
Current year receipts	5 846 049	2 363 133
Conditions met - transferred to revenue	-4 389 000	-2 616 313
Conditions still to be met - transferred to liabilities (see note 7)	<u>1 457 049</u>	<u>0</u>

20.2B Conditional Grants: Provincial - Health Subsidies

Balance unspent at beginning of year	0	0
Current year receipts - included in public health vote		1 129 311
Conditions met - transferred to revenue		-1 129 311
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>

The Municipality rendered health services on behalf of the Provincial Government on an agency service basis. As from 1 April 2007 this service has been totally rendered by the Provincial Government.

20.2C Conditional Grants: Provincial - Main Road Subsidy

Balance unspent at beginning of year	0	0
Current year receipts - included in roads maintenance vote	368 000	1 854 033
Conditions met - transferred to revenue	-368 000	-1 854 033
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>

20.2D Conditional Grants: Provincial - Water Conservation

Balance unspent at beginning of year	421 039	421 039
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities (see note 7)	<u>421 039</u>	<u>421 039</u>

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
20.2E Conditional Grants: Provincial - Spaces 4 Sport		
Balance unspent at beginning of year	0	
Current year receipts	1 500 000	
Conditions met - transferred to revenue	0	
Conditions still to be met - transferred to liabilities (see note 7)	<u>1 500 000</u>	<u>0</u>
20.2F Conditional Grants: Provincial - Cleanest Town 2004		
Balance unspent at beginning of year	0	0
Current year receipts		54 832
Conditions met - transferred to revenue		-54 832
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>
20.2G Conditional Grants: Provincial - Informal Settlement Re-Location		
Balance unspent at beginning of year	507 587	507 587
Current year receipts		
Conditions met - transferred to revenue	-5 824	
Conditions still to be met - transferred to liabilities (see note 7)	<u>501 763</u>	<u>507 587</u>
20.2H Conditional Grants: Provincial - Hemel en Aarde Structure Plan		
Balance unspent at beginning of year	114 563	114 563
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities (see note 7)	<u>114 563</u>	<u>114 563</u>
20.2I Conditional Grants: Provincial - 2004/032 ST Water Resources		
Balance unspent at beginning of year	50 000	50 000
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities (see note 7)	<u>50 000</u>	<u>50 000</u>
20.2J Conditional Grants: Provincial - Social Housing		
Balance unspent at beginning of year	0	0
Current year receipts	7 172 642	3 308 965
Conditions met - transferred to revenue	-7 172 642	-3 308 965
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>
20.2K Conditional Grants: Provincial - Multipurpose Centre		
Balance unspent at beginning of year	3 603 517	2 353 847
Current year receipts		1 500 000
Conditions met - transferred to revenue	-2 909 082	-250 330
Conditions still to be met - transferred to liabilities (see note 7)	<u>694 435</u>	<u>3 603 517</u>
20.2L Conditional Receipts: Other - Schulphoek Resort		
Balance unspent at beginning of year	784 899	784 899
Current year receipts		0
Conditions met - transferred to revenue		0
Conditions still to be met - transferred to liabilities (see note 7)	<u>784 899</u>	<u>784 899</u>
20.2M Conditional Receipts: Provincial - Town Planning Subsidy		
Balance unspent at beginning of year	0	0
Current year receipts		50 000
Conditions met - transferred to revenue		-50 000
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
20.2N Conditional Receipts: PAWC: Other Grants		
Balance unspent at beginning of year	702 247	0
Current year receipts	10 500	897 936
Conditions met - transferred to revenue	-10 500	-195 689
Conditions still to be met - transferred to liabilities (see note 7)	<u>702 247</u>	<u>702 247</u>

20.3A Conditional Receipts: ODM: Health Centre

Balance unspent at beginning of year	1 724	0
Current year receipts		185 250
Conditions met - transferred to revenue		-183 526
Conditions still to be met - transferred to liabilities (see note 7)	<u>1 724</u>	<u>1 724</u>

20.3 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (2006), government grant funding is expected to increase over the two years 2007/08 and 2008/09.

21 OTHER INCOME

Other income	10 637 264	8 045 638
Total Other Income	<u>10 637 264</u>	<u>8 045 638</u>

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
22 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	53 220 356	50 206 827
Employee related costs - Contributions for UIF, pensions and medical aids	14 672 688	14 004 154
Travel, motor car, accommodation, subsistence and other allowances	6 544 342	4 632 267
Housing benefits and allowances	708 897	939 376
Overtime payments	8 477 043	6 912 450
Performance bonus	4 060 577	3 773 957
Long-service awards	303 177	0
Contribution to Full Time Union Representative	70 952	0
Total Employee Related Costs	<u>88 058 032</u>	<u>80 469 030</u>

There were no advances to employees. Loans to employees are set out in note 12.

Remuneration of the Municipal Manager

Annual Remuneration	527 220	466 720
Performance Bonus	70 000	56 700
Car Allowance	108 000	117 208
Computer Allowance	6 060	13 101
Office Allowance		16 376
Council Contributions to UIF, Medical and Pension Funds	281 202	150 354
Total	<u>992 482</u>	<u>820 459</u>

Remuneration of the Director: Financial Services

Annual Remuneration	416 132	388 691
Performance Bonus	0	56 839
Car Allowance	130 980	131 485
Housing Subsidy	5 556	5 142
Computer Allowance	2 937	2 744
Council Contributions to UIF, Medical and Pension Funds	101 525	98 474
Total	<u>657 130</u>	<u>683 374</u>

Remuneration of the Director: Community Services

Annual Remuneration	337 004	354 358
Performance Bonus	40 240	27 662
Car Allowance	125 345	76 815
Housing Subsidy		3 462
Computer Allowance	2 736	1 819
Council Contributions to UIF, Medical and Pension Funds	74 431	34 782
Total	<u>579 756</u>	<u>498 898</u>

Remuneration of the Director: Infrastructure & Planning (From August 2006)

Annual Remuneration	352 133	111 903
Performance Bonus	53 350	
Car Allowance		38 407
Computer Allowance	5 560	910
Council Contributions to UIF, Medical and Pension Funds	87 046	28 865
Total	<u>498 089</u>	<u>180 086</u>

Remuneration of the Director: Local Economic Development

Annual Remuneration	300 839	281 000
Performance Bonus	30 382	28 100
Car Allowance	130 114	129 973
Housing Allowance		9 000
Computer Allowance	12 847	12 000
Council Contributions to UIF, Medical and Pension Funds	66 295	
Total	<u>540 477</u>	<u>460 073</u>

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
23 INTEREST PAID		
Long-term liabilities	6 397 901	5 646 720
Bank overdrafts	0	0
Total Interest on External Borrowings	6 397 901	5 646 720
24 BULK PURCHASES		
Electricity	39 843 698	34 106 609
Water	0	0
Total Bulk Purchases	39 843 698	34 106 609
25 REMUNERATION OF COUNCILLORS		
Executive Mayor	448 097	269 860
Deputy Executive Mayor	366 127	231 596
Speaker	361 158	233 749
Mayoral Committee Members	734 048	445 864
Councillors	1 972 756	831 323
Medical aid contributions		70 665
Pension contributions		190 376
Total Councillors' Remuneration	3 882 186	2 273 433
In-kind Benefits		
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time councillors. Each one is provided with an office and secretarial support at the cost of the Council. Councillors may utilize official Council transportation when engaged in official duties.		
26 GRANTS AND SUBSIDIES PAID		
Grant to Tourism Associations	1 501 338	830 946
Youth Projects		63 390
Rates Rebates		76 301
Low Income Subsidy	11 276 688	5 524 380
Aids Projects		21 653
Gender		5 821
Marketing		192 726
Relief Community		187 620
Total Grants and Subsidies	12 778 026	6 902 837

27 CHANGE IN ACCOUNTING POLICY

As a result of a notice published by the Minister of Finance in Government Gazette No. 30013, dated 29 June 2007 whereby municipalities are exempted from complying with section 122(2) and (3) of the MFMA as per the annexure attached thereto, the accounting policies of the Municipality applicable to the 2006/2007 financial statements have been amended to comply with the exemptions.

The following adjustments were made to amounts previously reported in the Annual Financial Statements of the Municipality arising from the implementation of the Exemptions:

27.1 Investment Properties

Balance previously reported	33 645 323
Implementation of Exemption:	
Transferred to Property, Plant & Equipment	16 431 848
Transferred to Accumulated Surplus	17 213 475

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
27.2 Provision for Post-retirement Benefits		
Balance previously reported	21 500 000	
Implementation of Exemption:		
Transferred to Accumulated Surplus	<u>21 500 000</u>	
28 CORRECTION OF ERROR		
During the year ended 30 June 2007, expenses were incurred and corrections were made that related to the financial year 30 June 2006.		
Details of the corrections and expenses are as follows:		
Corrections on debtors for previous years	(502 847)	(4 146 963)
Corrections on creditors for previous years		
Corrections to opening balances of external loans		
Corrections on income of previous years		
Corrections on expenses of previous years		
Decrease in accumulated surplus	<u>(502 847)</u>	<u>(4 146 963)</u>
29 CASH GENERATED BY OPERATIONS		
Surplus for the year	107 043 241	28 739 552
Adjustment for:		
Correction of prior year error	-502 847	-4 146 963
Change in accounting policy	4 286 525	0
Depreciation	23 693 250	19 702 874
Gain on disposal of property, plant and equipment	-56 430 776	-640 609
Contribution to provisions - non-current	2 679 600	0
Dividends received	-3 504	-3 504
Investment income	-13 986 392	-9 301 636
Interest paid	<u>6 397 901</u>	<u>5 646 720</u>
Operating surplus before working capital changes	73 176 998	39 996 433
(Increase)/Decrease in inventories	-430 521	-163 482
(Increase)/Decrease in debtors	-5 349 640	-711 728
(Increase)/Decrease in other debtors	-54 339 013	289 696
Increase/(Decrease) in provisions	-21 500 000	20 412 400
Increase/(Decrease) in conditional grants and receipts	1 112 983	7 509 023
Increase/(Decrease) in creditors	72 830 508	-22 849 779
(Increase)/Decrease in Vat	<u>-4 916 758</u>	<u>18 700</u>
Cash generated by operations	<u>60 584 557</u>	<u>44 501 262</u>
30 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balances and cash	85 044 179	21 392 831
Call investment deposits	55 017 454	109 455 591
Bank overdraft	<u>0</u>	<u>0</u>
Total cash and cash equivalents	<u>140 061 633</u>	<u>130 848 421</u>

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
31 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (see Note 2)	57 544 426	85 589 248
Used to finance property, plant and equipment - at cost	<u>57 544 426</u>	<u>85 481 515</u>
Sub-total	0	107 734
Cash set aside for the repayment of long-term liabilities (see note 2)	<u>6 989 445</u>	<u>45 047 165</u>
Cash invested for repayment of long-term liabilities	<u>6 989 445</u>	<u>45 154 899</u>

External loans have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

32 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

No unauthorised, irregular, fruitless and wasteful expenditure occurred during the year.

33 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

33.1 Contributions to organised local government - SALGA

Opening balance	0	0
Council subscriptions	276 184	141 874
Amount paid - current year	-276 184	-141 874
Amount paid - previous years	<u>0</u>	<u>0</u>
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

33.2 Audit fees

Opening balance	0	0
Current year audit fee	1 078 951	740 251
Amount paid - current year	-1 078 951	-740 251
Amount paid - previous years	<u>0</u>	<u>0</u>
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

33.3 VAT

VAT inputs receivables and VAT outputs receivables are included in debtors and creditors respectively. All VAT returns have been submitted by the due date throughout the year.

33.4 PAYE, UIF and SDL

Opening balance	0	0
Current year payroll deductions	10 491 530	7 768 055
Amount paid - current year	-10 491 530	-7 768 055
Amount paid - previous years	<u>0</u>	<u>0</u>
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

33.5 Pension and Medical Aid Deductions

Opening balance	0	0
Current year payroll deductions and Council contributions	14 672 688	13 631 368
Amount paid - current year	-14 672 688	-13 631 368
Amount paid - previous years	<u>0</u>	<u>0</u>
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

33.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2007	Total	Outstanding up to 90 days	Outstanding more than 90 days
Total Councillor Arrear Consumer Accounts	0	0	0

30 June 2006	Total	Outstanding up to 90 days	Outstanding more than 90 days
Total Councillor Arrear Consumer Accounts	0	0	0

During the year the following Councillors had arrear accounts outstanding for more than 90 days.

30 June 2007	Highest amount outstanding	Ageing > 90 Days
30 June 2006	Highest amount outstanding	Ageing > 90 Days
	2007 R	2006 R

34 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for	0	0
<i>Infrastructure</i>	0	0
<i>Community</i>	0	0
<i>Other</i>	0	0
- Approved but not yet contracted for	167 893 100	128 533 120
<i>Infrastructure</i>	120 440 000	111 475 170
<i>Community</i>	11 385 000	6 812 950
<i>Heritage</i>		
<i>Other</i>	36 068 100	10 245 000
Total	167 893 100	128 533 120

This expenditure will be financed from:

External Loans	40 000 000	42 000 000
Capital Replacement Reserve	81 141 100	52 602 850
Government Grants	16 752 000	31 619 074
Public Contributions	10 000 000	2 311 196
Unappropriated Surplus	20 000 000	0
	167 893 100	128 533 120

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

35 RETIREMENT BENEFIT INFORMATION

Councillors, so choosing, may become members of the Municipal Councillors Pension Fund. Member and Council contributions are recovered from the structured remuneration packages.

Employees belong to collective bargaining approved defined contribution pension or defined benefit retirement funds. Employer contributions ranges between 12% and 19,50%.

An amount of R8 464 840 was contributed by Council in respect of employee's retirement funding. These contributions have been expensed.

36 CONTINGENT LIABILITIES

PAYE

There is uncertainty regarding the assessment including penalties and interest on unpaid PAYE. A tax assessment was received from SARS regarding incorrect tax deductions on pension fund contributions of certain employees during the tax years 1999, 2000 and 2001. A further dispute arose as to whether Council's contribution to Group Life insurance is taxable. An estimated expense amounting to R796 665,32 is in dispute. No provision has been made for this potential liability.

37 IN-KIND DONATIONS AND ASSISTANCE

No in-kind donations and assistance was received during the year under review.

38 EVENTS AFTER THE REPORTING DATE

No significant events, knowledge of which would have influenced the users of the statements in making correct evaluations and decisions, occurred after the date of the financial statements and the date of approval thereof.

39 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).

40 RELATED PARTY DISCLOSURES

All Councillors have disclosed their interests in related parties and no one has the ability to control or exercise significant influence over the Council in making financial and operating decisions.

41 INTANGIBLE ASSETS

Computer Software

The Municipality is a user of "Packaged Software" only and therefore all the the Application System Software is on a "Usage Licenced" basis entitling this municipality only to the use of the software and the support of the system by the Supplier. In terms of IAS38, it cannot be identified as an intangible asset.

Website Costs

The Municipality's website is also a Service Provider situation and therefore cannot be classified as an intangible asset.

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

9 PROPERTY, PLANT AND EQUIPMENT

30 June 2007

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 1 July 2006	16 431 848	174 118 827	16 961 939	1 184 522	55 113 038	263 810 173
Cost	0	247 642 439	21 315 460	1 184 522	88 149 242	358 291 663
Correction of error	16 431 848	0	0	0	0	16 431 848
Revaluation	0	0	0	0	0	0
Accumulated depreciation	0	-73 523 613	-4 353 521	0	-33 036 204	-110 913 337
- Cost	0	-73 523 613	-4 353 521	0	-33 036 204	-110 913 337
- Revaluation	0	0	0	0	0	0
Acquisitions	1 250 000	53 212 758	2 605 343	0	24 913 268	81 981 369
Capital under Construction	0	17 898 943	5 730 304	0	1 250 357	24 879 605
Increases/decreases in revaluation	0	0	0	0	0	0
Depreciation	0	-15 060 207	-804 755	0	-7 828 288	-23 693 250
- based on cost	0	-15 060 207	-804 755	0	-7 828 288	-23 693 250
- based on revaluation	0	0	0	0	0	0
Carrying value of disposals	0	0	0	0	0	0
Cost/revaluation	0	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0	0
Impaired losses	0	0	0	0	0	0
Other movements	0	0	0	0	0	0
Carrying values at 30 June 2007	17 681 848	230 170 321	24 492 830	1 184 522	73 448 376	346 977 897
Cost	17 681 848	318 754 141	29 651 106	1 184 522	114 312 867	481 584 484
Revaluation	0	0	0	0	0	0
Accumulated depreciation	0	-88 583 820	-5 158 276	0	-40 864 491	-134 606 587
- Cost	0	-88 583 820	-5 158 276	0	-40 864 491	-134 606 587
- Revaluation	0	0	0	0	0	0

30 June 2006

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 1 July 2005	0	163 378 854	13 719 717	1 088 522	50 594 088	228 781 181
Cost	0	224 137 262	17 455 501	1 088 522	77 310 361	319 991 646
Correction of error	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Accumulated depreciation	0	-60 758 408	-3 735 784	0	-26 716 274	-91 210 465
- Cost	0	-60 758 408	-3 735 784	0	-26 716 274	-91 210 465
- Revaluation	0	0	0	0	0	0
Acquisitions	0	20 654 045	3 609 629	95 999	10 037 471	34 397 144
Capital under Construction	0	2 851 132	250 330	0	801 411	3 902 873
Increases/decreases in revaluation	0	0	0	0	0	0
Depreciation	0	-12 770 458	-636 816	0	-6 295 599	-19 702 873
- based on cost	0	-12 770 458	-636 816	0	-6 295 599	-19 702 873
- based on revaluation	0	0	0	0	0	0
Carrying value of disposals	0	0	0	0	0	0
Cost/revaluation	0	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0	0
Impaired losses	0	0	0	0	0	0
Other movements	0	0	0	0	0	0
Carrying values at 30 June 2006	0	174 113 574	16 942 859	1 184 522	55 137 371	247 378 325
Cost	0	247 642 439	21 315 460	1 184 522	88 149 243	358 291 664
Revaluation	0	0	0	0	0	0
Accumulated depreciation	0	-73 528 866	-4 372 601	0	-33 011 872	-110 913 338
- Cost	0	-73 528 866	-4 372 601	0	-33 011 872	-110 913 338
- Revaluation	0	0	0	0	0	0

Overstrand Municipality has taken advantage of the transitional provisions of paragraph .86 of GAMAP 17.

APPENDIX A

OVERSTRAND MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

	Loan Number	Redeemable	Balance at 30/06/2006 R	Received during the period R	Redeemed/ written off during period R	Balance at 30/06/2007 R	Other costs in accordance with MFMA R
ANNUITY LOANS							
ABSA @ 7.18%	86/04794/06	2007	1 059 602	0	1 059 602	0	
ABSA @ 11.30%		2006	16 660	0	16 660	0	
ABSA @ 14.25%		2007	134 182	0	134 182	0	
DBSA @ 8.871%	13535/102	2020	4 397 363	0	314 097	4 083 266	
DBSA @ 9.171%	13761/101	2007	48 250	0	48 250	0	
DBSA @ 9.171%	13543/101	2019	3 830 606	0	273 615	3 556 991	
DBSA @ 9.171%	13761/101	2020	3 780 791	0	260 744	3 520 047	
DBSA @ 12.00%	10450/1	2017	985 649	0	39 781	945 868	
DBSA @ 8,42%	102169/1	2022		16 996 176	0	16 996 176	
RAND MERCHANT @ 10.219%		2008	17 168 150	0	2 765 371	14 402 779	
INCA @ 12.82%		2012	15 713 310	0	1 674 012	14 039 299	
DISTRICT MUN @ 17.75%		2006	17 391	0	17 391	0	
DISTRICT MUN @ 18.00%	C/R	2006	33 127	0	33 127	0	
DISTRICT MUN @ 18.00%		2007	248 808	0	248 808	0	
DISTRICT MUN @ 18.00%		2006	4 656	0	4 655	0	
DISTRICT MUN @ 18.00%	AR10/12/1	2006	11 205	0	11 205	0	
Total annuity loans			47 449 750	16 996 176	6 901 500	57 544 426	0
TOTAL EXTERNAL LOANS			47 449 750	16 996 176	6 901 500	57 544 426	0

APPENDIX B
OVERSTRAND MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance R	Additions R	Under Constuction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
Infrastructure										
Access control	644 959				644 959	217 444	129 507		346 951	298 008
Car parks	1 594 247	18 611	27 645		1 640 503	194 867	79 106		273 973	1 366 530
Fencing	1 596 168	872 867	939 824		3 408 858	1 002 791	591 961		1 594 751	1 814 107
Footways	1 725 705	1 311 060			3 036 765	164 897	100 295		265 193	2 771 573
Kerbing	421 628	123 869			545 497	37 155	22 357		59 512	485 985
Load Control Equipment	7 024 658	796 554	1 000 000		8 821 211	351 233	359 433		710 666	8 110 545
Mains electrical	11 218 080	6 396 039	2 225 905		19 840 023	1 842 656	626 748		2 469 404	17 370 619
Mains water	3 220 016	2 931 479	246 374		6 397 868	303 928	191 179		495 107	5 902 762
Meters electrical	600 010	0	2 910 774		3 510 785	324 846	30 001		354 847	3 155 938
Meters water	219 215				219 215	88 627	13 961		102 588	116 627
Motorways	6 702 659				6 702 659	263 808	121 844		385 652	6 317 007
Outfall sewers	543 897				543 897	292 096	27 195		319 290	224 607
Paving	860 079	142 330			1 002 409	22 500	44 469		66 969	935 440
Purification works	8 484 405	1 696 298	600 000		10 780 703	2 168 645	447 859		2 616 505	8 164 198
Rights - water	2 360 000				2 360 000	472 000	118 000		590 000	1 770 000
Other roads	25 639 363	12 886 816	763 147		39 289 327	11 425 958	3 212 138		14 638 097	24 651 230
Security system	292 199				292 199	176 117	58 440		234 557	57 642
Road Signage	64 145				64 145	12 829	12 829		25 658	38 487
Sewers	52 288 226	1 443 407			53 731 634	21 945 818	2 623 094		24 568 912	29 162 722
Speed Control	293 329				293 329	144 297	29 333		173 630	119 699
Sewerage pumps	969 849	2 244 134	1 000 000		4 213 983	213 475	93 446		306 921	3 907 062
Street lighting	3 368 095	1 001 920			4 370 015	390 376	143 207		533 583	3 836 432
Supply/reticulation Electricity	35 761 163	4 544 566	2 914 474		43 220 203	10 533 059	1 834 842		12 367 901	30 852 302
Supply/reticulation Water	31 437 262	412 008			31 849 270	8 182 750	1 577 664		9 760 414	22 088 856
Stormwater drains	16 844 304	13 348 414	897 862		31 090 581	2 772 323	979 630		3 751 953	27 338 628
Reservoirs & tanks	26 599 691	3 013 447	4 372 938		33 986 076	9 069 045	1 361 006		10 430 052	23 556 025
Transformer kiosks	6 785 243				6 785 243	876 533	226 175		1 102 708	5 682 535
Traffic lights	83 844	28 938			112 782	33 538	4 490		38 028	74 754
	247 642 439	53 212 758	17 898 943	0	318 754 141	73 523 613	15 060 207	0	88 583 820	230 170 321

APPENDIX B
OVERSTRAND MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost					Accumulated Depreciation				Carrying Value R
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
Community Assets										
Beach development	642 156	0	180 889		823 044	34 578	21 405		55 983	767 061
Care centres	551 776				551 776	27 980	18 393		46 372	505 404
Cemeteries	456 622	1 089			457 711	71 715	15 228		86 943	370 768
Community centres	3 603 292	278 818	5 549 415		9 431 526	269 702	122 023		391 726	9 039 800
Fire stations	202 338	124 106			326 444	11 891	7 596		19 488	306 956
Floodlighting	152 393	748 574			900 966	13 610	15 326		28 936	872 030
Golf courses	402 194				402 194	321 755	20 110		341 865	60 329
Clinics/hospitals	1 295 310				1 295 310	464 947	43 177		508 124	787 186
Jukskei pitches	6 949				6 949	5 559	347		5 906	1 042
Libraries	3 630 670				3 630 670	315 611	121 022		436 634	3 194 036
Outdoor sports	3 099 321	481 651			3 580 972	517 147	154 987		672 134	2 908 838
Parks	436 170	195 735			631 904	23 197	16 547		39 744	592 161
Public conveniences	2 280 136	195 844			2 475 980	544 006	78 114		622 119	1 853 860
Recreation centres	3 865 680				3 865 680	1 443 172	135 646		1 578 818	2 286 863
Slipways		579 526			579 526	0	5 966		5 966	573 560
Stadiums	239 330				239 330	76 598	7 978		84 576	154 754
Swimming pools	226 924				226 924	32 692	9 680		42 372	184 552
Tennis courts	224 200				224 200	179 360	11 210		190 570	33 630
	21 315 460	2 605 343	5 730 304	0	29 651 106	4 353 521	804 755	0	5 158 276	24 492 830
Heritage Assets										
Heritage buildings	1 184 522				1 184 522	0	0		0	1 184 522
	1 184 522	0	0	0	1 184 522	0	0	0	0	1 184 522
Land and Buildings										
Land	16 431 848	1 250 000			17 681 848	0	0		0	17 681 848
	16 431 848	1 250 000		0	17 681 848	0	0	0	0	17 681 848

APPENDIX B
OVERSTRAND MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance R	Additions R	Under Constuction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
Other Assets										
Air conditioner	181 594				181 594	83 667	36 319		119 986	61 608
Caravan Parks	4 704 770	90 819			4 795 589	2 409 229	157 449		2 566 678	2 228 911
Computer hardware	2 787 774	963 282			3 751 055	1 924 580	597 221		2 521 800	1 229 255
Compacting Stations	7 228 785				7 228 785	1 106 613	240 959		1 347 572	5 881 212
Computer software	964 317				964 317	479 286	192 863		672 150	292 168
Fire Equipment	75 865	118 164			194 029	5 058	5 058		10 115	183 913
General plant	5 212 489	2 214 275			7 426 764	1 826 927	915 259		2 742 186	4 684 577
Hostels - workers	138 811				138 811	97 168	4 627		101 795	37 016
Household refuse	128 055	130 000			258 055	56 344	30 964		87 308	170 747
Houses - municipal	696 308	69 289			765 597	369 371	23 686		393 057	372 540
Housing schemes	20 677 226	9 986 676	63 314		30 727 217	9 528 856	767 510		10 296 367	20 430 850
Irrigation systems	69 837				69 837	17 311	4 324		21 635	48 202
Land	0				0	0			0	0
Miscellaneous furniture	1 027 878	78 229			1 106 107	453 624	192 333		645 956	460 150
Office building	19 139 720	4 730 342			23 870 062	3 204 229	716 522		3 920 751	19 949 311
Office machines	336 770				336 770	159 071	69 717		228 789	107 981
Other Land	157 500	76 470			233 970	49 333			49 333	184 637
Radio equipment	817 590				817 590	437 115	193 015		630 130	187 461
Telecommunication	64 164				64 164	64 164	12 833		76 996	-12 833
Tip sites	1 352 684	401 877	1 187 043		2 941 605	168 116	41 992		210 107	2 731 497
Training Facilities	25 000	3 441			28 441	833	833		1 667	26 774
Transport Facilities	626 288				626 288	59 414	26 249		85 664	540 625
Vehicles	4 498 566	4 323 298			8 821 863	850 091	892 486		1 742 576	7 079 287
Vehicles: Fire Engines	704 573				704 573	414 179	44 117		458 296	246 277
Vehicles: Graders	527 065				527 065	413 263	52 706		465 969	61 096
Vehicles: Mechanical Horses	202 733	490 885			693 618	182 460	30 380		212 840	480 778
Vehicles: Trucks/bakkies	13 629 967	746 914			14 376 881	8 206 242	2 441 253		10 647 495	3 729 387
Vehicles: Tractors	850 959				850 959	337 065	90 188		427 253	423 705
Workshop/Depots	1 321 955	489 308			1 811 263	132 597	47 423		180 020	1 631 243
	88 149 242	24 913 268	1 250 357	0	114 312 867	33 036 204	7 828 288	0	40 864 491	73 448 376
Total	374 723 511	81 981 369	24 879 605	0	481 584 484	110 913 337	23 693 250	0	134 606 587	346 977 897

APPENDIX C
OVERSTRAND MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost					Accumulated Depreciation				Carrying Value R
	Opening Balance R	Additions R	Under Constuction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
Executive & Council	470 649				470 649	209 803	83 030		292 833	177 816
Finance & Admin	34 818 505	15 331 351			50 149 856	9 259 922	590 620		9 850 542	40 299 314
Planning & Development	16 688 396	104 381			16 792 777	307 190	0		307 190	16 485 587
Health	567 522				567 522	359 612	0		359 612	207 911
Community & Social Services	8 888 051	599 857	5 549 415		15 037 324	1 303 897	2 485 070		3 788 967	11 248 357
Housing	21 336 028	9 986 676	63 314		31 386 018	9 778 638	800 070		10 578 708	20 807 310
Public Safety	3 407 184	991 030	939 824		5 338 038	1 669 780	508 060		2 177 840	3 160 198
Sport & Recreation	16 345 302	2 096 304	180 889		18 622 495	6 118 381	814 750		6 933 131	11 689 364
Environmental Protection	1 881 224				1 881 224	508 543	0		508 543	1 372 682
Waste Management	96 409 801	17 567 833	3 084 906		117 062 539	32 617 264	6 482 840		39 100 104	77 962 435
Road Transport	39 056 791	15 513 545	790 792		55 361 128	13 470 475	3 608 190		17 078 665	38 282 463
Water	67 494 393	8 053 233	5 219 312		80 766 938	18 978 450	4 336 340		23 314 790	57 452 148
Electricity	67 359 664	11 737 159	9 051 153		88 147 976	16 331 385	3 984 280		20 315 665	67 832 311
Total	374 723 511	81 981 369	24 879 605	0	481 584 485	110 913 339	23 693 250	0	134 606 589	346 977 896

APPENDIX D
OVERSTRAND MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL
PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/ (Deficit) R		2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R
677 643	1 805 039	-1 127 396	Executive & Council	13 038 267	17 139 328	-4 101 061
99 300 047	64 399 584	34 900 463	Finance & Admin	146 217 829	48 091 871	98 125 958
-7 255 293	14 999 516	-22 254 809	Planning & Development	7 715 462	16 116 197	-8 400 735
1 132 411	1 227 248	-94 837	Health	872	3 203	-2 331
860 236	7 307 073	-6 446 837	Community & Social Services	3 962 292	12 486 682	-8 524 390
4 264 703	15 975 859	-11 711 155	Housing	7 625 298	5 632 721	1 992 576
6 199 413	11 404 409	-5 204 997	Public Safety	6 602 333	13 206 652	-6 604 319
860 236	7 311 072	-6 450 835	Sport & Recreation	4 944 693	14 224 427	-9 279 734
12 927 817	16 071 497	-3 143 680	Environmental Protection	1 657 064	7 462 761	-5 805 697
24 257 222	22 993 883	1 263 340	Solid Waste Management	25 602 675	25 250 439	352 236
24 257 222	23 570 597	686 626	Waste Management	28 973 759	26 981 960	1 991 799
1 935 786	18 874 460	-16 938 674	Road Transport	368 580	26 625 021	-26 256 440
39 231 912	27 483 151	11 748 761	Water	43 583 111	30 723 142	12 859 969
71 380 852	63 092 929	8 287 922	Electricity	85 406 143	72 197 683	13 208 461
280 030 208	296 516 315	-16 486 108	Sub-Total	375 698 378	316 142 087	59 556 291
0	-45 225 659	45 225 659	Less: Inter-departemental Charges	0	-47 486 950	47 486 950
280 030 208	251 290 656	28 739 551	Total	375 698 378	268 655 137	107 043 241

UNAUDITED: APPENDIX E(1)
OVERSTRAND MUNICIPALITY: ACTUAL VS. BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED
30 JUNE 2007

	2007 Actual R	2007 Budget R	2007 Variance R	2007 Variance %	Explanation of Significant Variances Greater than 10% versus Budget
REVENUE					
Property rates	71 981 101	70 466 380	1 514 721	2	
Property rates - penalties imposed and collection charges	335 289	534 520	-199 231	-37	Decrease due to payment culture - Debtors paying accounts sooner
Service charges	174 696 958	165 203 490	9 493 468	6	Growth in services demand beyond budget growth
Rental of facilities and equipment	5 371 142	4 998 600	372 542	7	
Interest earned - external investments	12 846 661	6 669 330	6 177 331	93	Constant investing of surplus funds
Interest earned - outstanding debtors	1 139 731	1 392 270	-252 539	-18	Decrease due to write-off's previous year
Dividends received	3 504	5 250	-1 746	-33	Subject to external decisions
Fines	2 718 379	2 950 640	-232 261	-8	
Licences and permits	1 569 973	1 509 940	60 033	4	
Income from agency services	4 256 760	5 744 620	-1 487 860	-26	Less expended on Protea project
Government grants and subsidies	30 599 252	32 589 880	-1 990 628	-6	Delays in housing projects (ROD's etc.)
Other income	10 637 264	12 333 720	-1 696 456	-14	Conservative Other Income budget
Public contributions, donated and contributed property, plant and equipment	3 111 588	1 270 000	1 841 588	145	Additional capital public contributions received
Gains on disposal of property, plant and equipment	56 430 776	35 004 390	21 426 386	61	Change in accounting policy
Total Revenue	375 698 378	340 673 030	35 025 348	10	
EXPENDITURE					
Employee related costs	88 058 032	89 713 910	-1 655 878	-2	
Remuneration of Councillors	3 882 186	3 913 280	-31 094	-1	
Bad debts	315 963	2 500 000	-2 184 037	-87	Reduction in older outstanding debts
Collection costs	0	0	0	0	
Depreciation	23 693 250	23 693 250	0	0	
Repairs and maintenance	32 755 117	33 714 101	-958 984	-3	
Interest on borrowings	6 397 901	7 499 019	-1 101 118	-15	External loans taken up at a later stage
Bulk purchases	39 843 698	38 432 760	1 410 938	4	
Contracted services	5 106 079	6 615 252	-1 509 174	-23	Further appointments to vacant posts
Grants and subsidies paid	12 778 026	12 715 122	62 904	0	
General expenses - other (including abnormal expenditure)	55 824 885	56 801 706	-976 821	-2	
Total Expenditure	268 655 137	275 598 400	-6 943 263	-3	
NET SURPLUS/(DEFICIT) FOR THE YEAR	107 043 241	65 074 630	41 968 611		

UNAUDITED: APPENDIX E(2) OVERSTRAND MUNICIPALITY: ACTUAL VS. BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007					
	2007 Actual R	2007 Budget R	2007 Variance R	2007 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
Infrastructure					
Car parks	46 256	97 645	-51 389	-53	Reprioritisation of capital budget
Fencing	1 812 691	1 922 133	-109 442	-6	Reprioritisation of capital budget
Footways	1 311 060	1 320 000	-8 940	-1	
Kerbing	123 869	160 000	-36 131	-23	Reprioritisation of capital budget
Load Control Equipment	1 796 554	1 830 000	-33 446	-2	
Mains electrical	8 621 943	8 769 823	-147 880	-2	
Mains water	3 177 853	3 250 000	-72 147	-2	
Meters electrical	2 910 774	2 950 000	-39 226	-1	
Paving	142 330	150 000	-7 670	-5	
Purification works	2 296 298	2 300 000	-3 702	-0	
Other roads	13 649 964	12 752 309	897 655	7	Reprioritisation of capital budget
Sewers	1 443 407	1 863 408	-420 001	-23	Reprioritisation of capital budget
Sewerage pumps	3 244 134	2 963 347	280 787	9	Reprioritisation of capital budget
Street lighting	1 001 920	955 000	46 920	5	
Supply/reticulation Electric	7 459 040	7 802 187	-343 147	-4	
Supply/reticulation Water	412 008	450 000	-37 992	-8	Reprioritisation of capital budget
Stormwater drains	14 246 276	14 286 962	-40 686	-0	
Reservoirs & tanks	7 386 385	7 742 196	-355 811	-5	
Traffic lights	28 938	30 000	-1 062	-4	
	71 111 702	71 595 010	-483 308	-1	
Community Assets					
Beach development	180 889	200 000	-19 111	-10	Reprioritisation of capital budget
Cemeteries	1 089	30 000	-28 911	-96	Reprioritisation of capital budget
Community centres	5 828 234	6 550 294	-722 060	-11	Reprioritisation of capital budget
Fire stations	124 106	125 000	-894	-1	
Floodlighting	748 574	772 950	-24 376	-3	
Outdoor sports	481 651	512 542	-30 891	-6	Reprioritisation of capital budget
Parks	195 735	200 000	-4 265	-2	
Public conveniences	195 844	200 000	-4 156	-2	
Slipways	579 526	580 000	-474	-0	
	8 335 647	9 170 786	-835 139	-9	

UNAUDITED: APPENDIX E(2) OVERSTRAND MUNICIPALITY: ACTUAL VS. BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007					
	2007 Actual R	2007 Budget R	2007 Variance R	2007 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
Other Assets					
Caravan Parks	90 819	100 000	-9 181	-9	Reprioritisation of capital budget
Computer hardware	963 282	1 155 000	-191 718	-17	Reprioritisation of capital budget
Fire Equipment	118 164	120 000	-1 836	-2	
General plant	2 214 275	2 338 901	-124 626	-5	
Household refuse	130 000	130 000	0	0	
Houses - municipal	69 289	100 000	-30 711	-31	Reprioritisation of capital budget
Housing schemes	10 049 990	17 816 659	-7 766 669	-44	Delays in housing projects (ROD's etc.)
Miscellaneous furniture	78 229	75 000	3 229	4	
Office building	4 730 342	4 946 000	-215 658	-4	
Other Land	76 470	1 630 000	-1 553 530	-95	Reprioritisation of capital budget
Tip sites	1 588 920	1 780 000	-191 080	-11	Reprioritisation of capital budget
Training Facilities	3 441	30 000	-26 559	-89	Reprioritisation of capital budget
Vehicles	4 323 298	4 387 458	-64 160	-1	
Vehicles: Mechanical Hors	490 885	1 750 000	-1 259 115	-72	Vehicles delivered after year end
Vehicles: Trucks/bakkies	746 914	3 100 000	-2 353 086	-76	Vehicles delivered after year end
Workshop/Depots	489 308	549 000	-59 692	-11	Reprioritisation of capital budget
	26 163 625	40 008 018	-13 844 393	-35	
Total	105 610 973	120 773 814	-15 162 841	-13	

42. DEVIATION FROM PROCUREMENT PROCESSES 1 JULY 2006 TO 30 JUNE 2007

TENDER NO	DATE APPROVED	DEVIATION SCM REGULATION		DESCRIPTION	SERVICE AREA	AWARDED TO	OPERATIONAL	CAPITAL
SC094/2007	04/04/2007	SCM Reg 36(1)(a)(ii)	Single provider	CT Lab	Hermanus	CT Lab	163 627,00	92 214,00
SC095/2007	30/06/2007	SCM Reg 36(1)(a)(i)	Emergency	Repair Standby Genset (Pumpstation Scout Camp)	Hermanus	HSM		42 270,00
SC099/2007	10/04/2007	SCM Reg 36(1)(a)(ii)	Single provider	Town Planning Access Control	Hermanus	TMX	39 415,00	
SC100/2007	13/04/2007	SCM Reg 36(1)(a)(v)	Extention of defined software programmes	Psd Software Palmiet Karavaanpark	Kleinmond	PSD Pty Ltd	39 955,00	
SC106/2007	04/05/2007	SCM Reg 36(1)(a)(ii)	Single provider	Chemikaliee Gansbaai Rioolwerke AVANTU	Gansbaai	Avantu	per order	
SC116/2007	26/04/2007	SCM Reg 36 (1)(a) (v)	Assesment of Report	Gansbaai Sport Centre Enviro Africa	Gansbaai	Enviro Africa		39 922,78
SC119/2007	16/05/2007	SCM Reg 36(1)(a)(ii)	Single provider	Supply & Install Protection Relays	Gansbaai	ABB S.A. (Pty)(Ltd)	29 580,00	



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GOVERNMENT NOTICE

National Treasury*Government Notice*

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GOVERNMENT NOTICE

No. 522

29 June 2007

NATIONAL TREASURY

No. 522

29 June 2007

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

EXEMPTIONS

I, Trevor A Manuel, Minister of Finance, acting in terms of section 177 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), hereby exempt municipalities and municipal entities from, or in respect of, section 122(2) and (3) of the Act, to the extent set out in the Schedule hereto.

Signed at Tshwane on this 26th day of June 2007



T.A. MANUEL, MP

MINISTER OF FINANCE

SCHEDULE

Definitions

1. In this Schedule a word or expression to which a meaning has been assigned in section 1 of the Act has the same meaning as in the Act, and –

“high capacity municipality”, “medium capacity municipality” and “low capacity municipality”, respectively, has the meaning assigned to it in Government Notice No. 773 of 1 July 2004, issued in Government Gazette No. 26511, and, for purposes of this Schedule, does not include its municipal entities;

“relevant treasury”, in relation to a provision of this Notice, means the National Treasury, or if the National Treasury’s function in terms of such provision has been delegated to a provincial treasury, that provincial treasury;

“the Act” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

High capacity municipalities

2. (1) High capacity municipalities are hereby exempted from complying with section 122(2) of the Act to prepare consolidated financial statements for the 2006/07 and 2007/08 financial years.

(2) High capacity municipalities are hereby exempted from complying with section 122(3) of the Act to the extent that they are required in the preparation of their financial statements to comply with the standards and parts or aspects of standards specified in the second column of the Annexure hereto. This exemption applies in respect of the 2006/07 and 2007/08 financial years unless specified otherwise in the third column of the Annexure.

(3) The exemptions referred to in subclauses (1) and (2) are subject to the following conditions:

(a) No high capacity municipality may deviate from an exemption in terms of this Notice unless the municipality has consulted the relevant treasury before 31 July

of the year concerned and has agreed with that treasury on the basis of presentation of the annual financial statements, or any consolidated financial statements if such consolidated statements are to be presented.¹

- (b) Any agreement referred to in paragraph (a) must be in writing and submitted to the National Treasury before 15 August of the relevant year.
- (c) The annual financial statements of a high capacity municipality must have an annexure attached in which the annual financial statements of each of its entities are contained, except when the municipality presents consolidated financial statements under an agreement in terms of paragraph (a).
- (d) High capacity municipalities must before 30 October 2007 and before 31 March 2008 submit to the National Treasury and the relevant provincial treasury an implementation plan, in a format determined by the National Treasury, reflecting progress towards full compliance with sections 122(2) and (3) of the Act.
- (e) The notes to the annual financial statements of high capacity municipalities must disclose –
 - (i) the specific exemptions set out in the Annexure hereto applicable to those statements;
 - (ii) the progress made towards achieving full compliance with the standards referred to in section 122(3) as measured against the implementation plan referred to in paragraph (d);
 - (iii) an explanation of the extent to which the information in the annual financial statements would need to be adjusted for full compliance with those standards; and
 - (iv) any other relevant information concerning the exemptions that may enhance the usefulness of the annual financial statements.

Medium capacity municipalities

- 3. (1)** Medium capacity municipalities are hereby exempted from complying with –
- (a) section 122(2) of the Act to prepare consolidated financial statements; and

¹ As high capacity municipalities are exempted in terms of clause 2(1) to prepare and submit consolidated financial statements for the 2006/07 and 2007/08 financial years, the Auditor General will only audit those consolidated statements that are presented under an agreement in terms of this clause. The same arrangement applies for medium and low capacity municipalities except that in the case of low capacity municipalities the exemption is granted for the 2008/09 financial year as well. See similar clauses below.

- (b) section 122(3) of the Act to the extent that they are required in the preparation of their financial statements to comply with the standards referred to in that section.

(2) The exemptions referred to in subclause (1)(a) and (b) apply in respect of the 2006/07 and 2007/08 financial years only and are subject to the following conditions:

- (a) Medium capacity municipalities must prepare and submit their annual financial statements for the 2006/07 and 2007/08 financial years using the same basis of accounting applied in the 2005/06 financial year.
- (b) No medium capacity municipality may deviate from paragraph (a) or from an exemption in terms of subclause (1)(a) or (b) unless the municipality has consulted the relevant treasury before 31 July of the year concerned and has agreed with that treasury on the basis of presentation of the annual financial statements, or any consolidated financial statements if such consolidated statements are to be presented.
- (c) Any agreement referred to in paragraph (b) must be in writing and submitted to the National Treasury before 15 August of the relevant year.
- (d) The annual financial statements of a medium capacity municipality must have an annexure attached in which the annual financial statements of each of its entities are contained, except when the municipality presents consolidated financial statements under an agreement in terms of paragraph (b).
- (e) Medium capacity municipalities must before 30 October 2007, and thereafter annually submit to the National Treasury and the relevant provincial treasury an implementation plan, in a format determined by the National Treasury, reflecting progress towards full compliance with sections 122(2) and (3) of the Act.

Low capacity municipalities

4. (1) Low capacity municipalities are hereby exempted from complying with –

- (a) section 122(2) of the Act to prepare consolidated financial statements; and
- (b) section 122(3) of the Act to the extent that they are required in the preparation of their financial statements to comply with the standards referred to in that section.

(2) The exemptions referred to in subclause (1)(a) and (b) apply in respect of the 2006/07, 2007/08 and 2008/09 financial years only and are subject to the following conditions:

- (a) Low capacity municipalities must, in respect of the 2006/07, 2007/08 and 2008/09 financial years, prepare and submit their annual financial statements using the same basis of accounting applied in the 2005/06 financial year.
- (b) No low capacity municipalities may deviate from paragraph (a) or from an exemption in terms of subclause (1)(a) or (b) unless the municipality has consulted the relevant treasury before 31 July of the year concerned and has agreed with that treasury on the basis of presentation of the annual financial statements, or any consolidated financial statements if such consolidated statements are to be presented.
- (c) Any agreement referred to in paragraph (b) must be in writing and submitted to the National Treasury before 15 August of the relevant year.
- (d) The annual financial statements of a low capacity municipality must have an annexure attached in which the annual financial statements of each of its entities are contained, except when the municipality presents consolidated financial statements under an agreement in terms of paragraph (b).
- (e) Low capacity municipalities must before 30 October 2007, and thereafter annually, submit to the National Treasury and the relevant provincial treasury an implementation plan, in a format determined by the National Treasury, reflecting progress towards full compliance with sections 122(2) and (3) of the Act.

Municipal entities

5. (1) Municipal entities are hereby exempted from complying with section 122(3) of the Act to the extent that they are required in the preparation of their financial statements to comply with the standards referred to in that section.

(2) The exemptions referred to in subclause (1) apply in respect of the 2006/07, 2007/08 and 2008/09 financial years only and are subject to the following conditions:

- (a) Municipal entities must, in respect of the 2006/07, 2007/08 and 2008/09 financial years, prepare and submit their annual financial statements using the same basis of accounting applied in the 2005/06 financial year.

- (b) Municipal entities must comply with any new standards prescribed in terms of section 91(b) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) and which apply to municipal entities.
- (c) No municipal entity may deviate from paragraph (a) or (b) or from an exemption in terms of subclause (1) unless the entity has consulted its parent municipality and the relevant treasury before 31 July of the year concerned and has agreed with the parent municipality and that treasury on the basis of presentation of its annual financial statements.
- (d) Any agreement referred to in paragraph (c) must be in writing and submitted to the National Treasury before 15 August of the relevant year.

Effective date

6. This Notice takes effect on 30 June 2007.

ANNEXURE

ANNEXURE

EXEMPTIONS FOR HIGH CAPACITY MUNICIPALITIES IN TERMS OF CLAUSE 2(2) OF THIS NOTICE

High capacity municipalities must comply with GRAP and GAMAP standards prescribed in General Notice 991 and 992 of 2005, except for the standards or parts of standards as set out below.

Financial reporting standard		Extent of exemption from standard	Exemption period
GRAP 3	Accounting policies, changes in accounting estimates and errors	Identification and impact of GRAP standards that have been issued but are not yet effective and changes to accounting policies <i>[paragraphs 14, 19 and 30 - 31]</i>	For the 2006/07 and 2007/08 financial years
GAMAP 17	Property, plant and equipment (PPE)	Review of useful life of items of PPE recognized in the annual financial statements <i>[paragraphs 59 - 61, and 77]</i>	For the 2006/07 and 2007/08 financial years
		Review of depreciation method applied to PPE recognized in the annual financial statements <i>[paragraphs 62 and 77]</i>	For the 2006/07 and 2007/08 financial years
		Impairment of non-cash-generating assets <i>[paragraphs 64 - 69 and 75(e)(v) - (vi)]</i>	For the 2006/07 and 2007/08 financial years
		Impairment of cash-generating assets <i>[paragraphs 63 and 75(e)(v) - (vi)]</i>	For the 2006/07 and 2007/08 financial years
IAS 36 (AC 128)	Impairment of assets	Entire standard	For the 2006/07 and 2007/08 financial years
GAMAP 12	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17	For the 2006/07 and 2007/08 financial years
		The entire standard to the extent that it relates to water stock that was not purchased by the municipality	For the 2006/07 and 2007/08 financial years
IAS 40 (AC 135)	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	For the 2006/07 and 2007/08 financial years
		Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard <i>[paragraphs 79(e)(i) - (iii)]</i>	For the 2006/07 and 2007/08 financial years

ANNEXURE

Financial reporting standard		Extent of exemption from standard	Exemption period
IAS 17 (AC 105)	Leases	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement. (SAICA circular 12/06 paragraphs 8 – 11 and paragraphs 33, 34, 50, 51 of IAS 17 / AC 105)	For the 2006/07 and 2007/08 financial years
IAS 38 (AC 129)	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32/AC 432) and all other costs are expensed.	For the 2006/07 and 2007/08 financial years
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. [paragraphs 29, 48 - 119, 120A(c) – (q)]	For the 2006/07 and 2007/08 financial years
GAMAP 9	Revenue	Initial measurement of fair value discounting all future receipts using an imputed rate of interest. (SAICA circular 09/06 and paragraph 12)	For the 2006/07 and 2007/08 financial years
IAS 39 (AC 133)	Financial instruments: Recognition and measurement	Initially measuring financial assets and financial liabilities at fair value. (SAICA circular 09/06, paragraph 43, AG 79, AG64 and AG65 of IAS 39 / AC 133)	For the 2006/07 and 2007/08 financial years
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale [paragraphs 6 – 14, 15 – 29 (in so far as it relates to non-current assets held for sale), 38 – 42]	For the 2006/07 and 2007/08 financial years
IFRS 7 (AC 144)	Financial instruments: Disclosures	Entire Standard to be replaced by IAS 32 (AC125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	For the 2006/07 and 2007/08 financial years
IAS 14 (AC 115)	Segment reporting	Entire Standard	For the 2006/07 and 2007/08 financial years
IFRS 8 (AC 145)	Operating segments	Entire Standard	For the 2006/07 and 2007/08 financial years

ANNEXURE

Financial reporting standard		Extent of exemption from standard	Exemption period
IAS 11 (AC 109)	Construction contracts	Entire standard	For the 2006/07 and 2007/08 financial years
IFRS 3 (AC 140)	Business combinations	Entire standard	For the 2006/07 and 2007/08 financial years
IAS 20 (AC 134)	Accounting for government grants and disclosure of government assistance	Entire standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 - 46 of GAMAP 9	For the 2006/07 and 2007/08 financial years

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**S. MBHELE
EXECUTIVE DIRECTOR: MARKETING**

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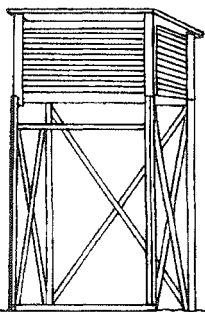
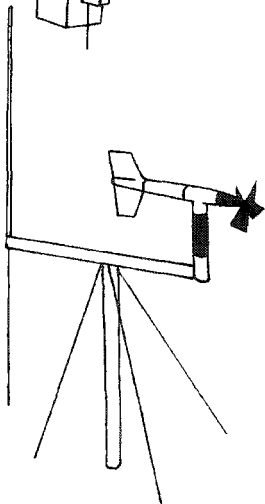
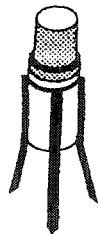
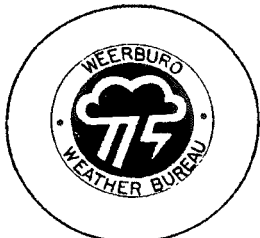
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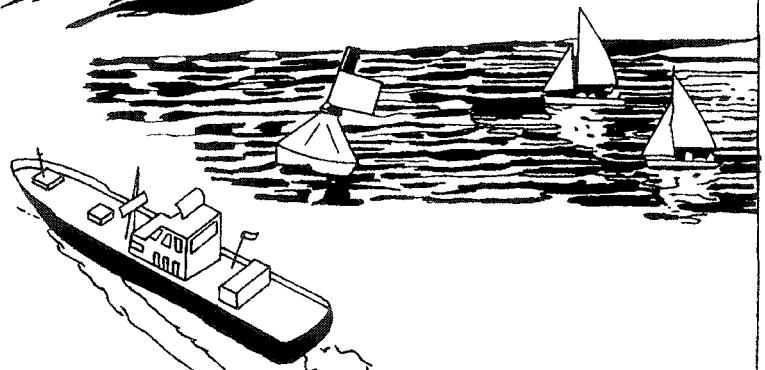
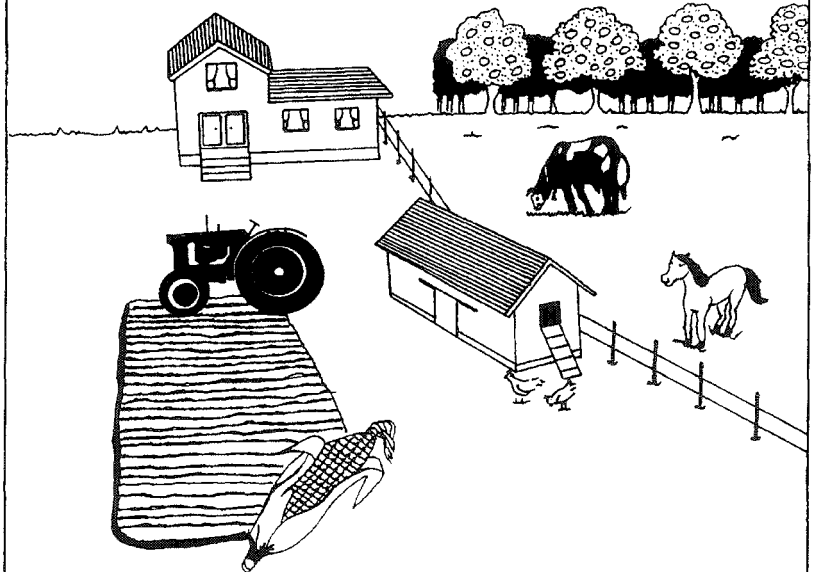
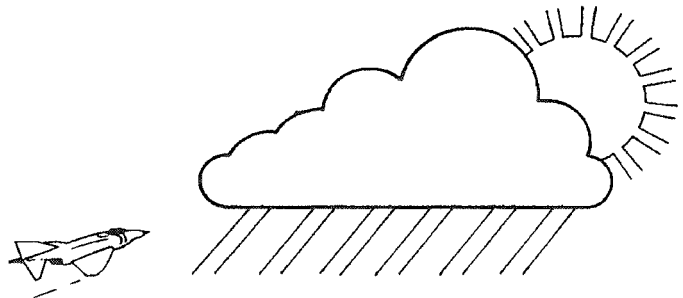
Wetlands are wonderlands!



Department of Environmental Affairs and Tourism

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Appendix G

FORMAT OF IMPLEMENTATION PLAN FOR HIGH CAPACITY MUNICIPALITIES (for 30 October 2007)

Name of municipality:	OVERSTRAND	Demarcation Code:	WC032
Name of preparer:	H N Kleinloog	Date completed:	October 1, 2007
Contact Details:	028 313 8040 e-mail: hkleinloog@overstrand.gov.za	Financial period:	2007/ 2008

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
Property, plant and equipment (GRAP 17)	Review of useful life of items of PPE recognised in the annual financial statements <i>[paragraphs 59 – 61, and 77]</i>	The Municipality will review the lives and residual values of assets and adjustments will be made as appropriate. We will use our experience, judgement and assumptions in the process of determining lives and residual values.	Dir. Infra & Planning Dir. Com Services Dir. Econ Developm C F O	<i>Will be disclosed in 2008/2009 AFS</i>
	Review of depreciation method applied to PPE recognised in the annual financial statements <i>[paragraphs 62 and 77]</i>	When a change in depreciation method is necessary, the change will be accounted for and adjusted accordingly.	C F O	<i>Will be disclosed in 2008/2009 AFS</i>
	Impairment of non-cash-generating assets <i>[paragraphs 64 – 69 and 75(e)(v) – (vi)]</i>	The carrying amount of assets will be reviewed and assessed against the recoverable amount of such assets to determine any impairment losses.	Dir. Infra & Planning Dir. Com Services Dir. Econ Developm C F O	<i>Will be disclosed in 2008/2009 AFS</i>

Appendix G

FORMAT OF IMPLEMENTATION PLAN FOR HIGH CAPACITY MUNICIPALITIES (for 30 October 2007)

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
	Impairment of cash-generating assets <i>[paragraphs 63 and 75(e)(v) – (vi)]</i>	The carrying amount of assets will be reviewed and assessed against the recoverable amount of such assets to determine any impairment losses.	Dir. Infra & Planning Dir. Com Services	<i>Will be disclosed in 2008/2009 AFS</i>
Impairment of Assets (IAS 36/AC 128)	Entire Standard	Applies to financial assets classified as: - Subsidiaries (IAS27) -not applicable - Associates (IAS28) – not applicable - Joint ventures(IAS31)-not applicable - Assets at revalued amounts (IAS16) - will be applied when identified.	All Directors	<i>Will be disclosed in 2008/2009 AFS</i>
Inventories (GAMAP 12)	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17	- To recognize land/property as held for sale within the next 12 months. - Report to Council to recognize properties held for sale.	Dir. Infra & Planning Dir. Com Services	<i>Will be disclosed in 2008/2009 AFS</i>
	The entire standard to the extent that it relates to water stock that was not purchased by the municipality	The value of purified water stored in the reservoirs will be determined annually at year end.	Dir. Com Services	<i>Will be disclosed in 2008/2009 AFS</i>
Investment Property (IAS 40/AC 135)	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	To recognize and measure properties as Investment Properties.	Dir. Infra & Planning	<i>Will be disclosed in 2008/2009 AFS</i>

Appendix G

FORMAT OF IMPLEMENTATION PLAN FOR HIGH CAPACITY MUNICIPALITIES (for 30 October 2007)

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
	Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of the standard <i>[paragraphs 79(e)(i) – (iii)]</i>	- The Council is currently busy compiling a new valuation roll which will be applicable from 1 July 2008. - The new municipal values will be applied as the fair value of investment properties.	Dir. Infra & Planning	<i>Will be disclosed in 2008/2009 AFS</i>
Leases (IAS 17/AC 105)	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognized on the basis of the cash flows in the lease agreement. <i>[SAICA circular 12/06 paragraphs 8 – 11 and paragraphs 33, 34, 50, 51 of IAS 17/AC 105]</i>	To identify and list the details of all operating leases in order to allocate lease payments/receipts to expenses/income on a straight line basis.	All Directors	<i>Will be disclosed in 2008/2009 AFS</i>
Intangible Assets (IAS 38/AC 129)	The entire standard except for the recognition, measurement and disclosure of computer software equipment and website costs (SIC 32/AC 432) and all other costs are expensed	Recognition and measurement of - Valuation roll - Servitudes - Licenses - Advertising	Dir. Infra & Planning Head : Management Services	<i>Will be disclosed in 2008/2009 AFS</i>

Appendix G

FORMAT OF IMPLEMENTATION PLAN FOR HIGH CAPACITY MUNICIPALITIES (for 30 October 2007)

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
Employee Benefits (IAS 19/AC 116)	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. <i>[paragraphs 29, 48 – 119, 120A(c)-(q)]</i>	Recognition and measurement of • Short term employee benefits • Post employment benefits • Other long term employee benefits • Termination benefits	Head : Management Services	<i>Will be disclosed in 2008/2009 AFS</i>
Revenue (GAMAP 9)	Initial measurement of fair value discounting all future receipts using an imputed rate of interest. <i>[SAICA circular 09/06 and paragraph 12]</i>	• Discounting of future receipts not necessary due to interest levied on arrear accounts and reflected as revenue. Therefore, fair value = nominal amount.	C F O	<i>Will be disclosed in 2008/2009 AFS</i>
Financial Instruments: Recognition and Measurement (IAS 39/AC 133)	Initially measuring financial assets and financial liabilities at fair value. <i>[SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/ AC 133]</i>	• Recognition and measuring of financial assets and liabilities - completed	C F O	<i>Will be disclosed in 2008/2009 AFS</i>

Appendix G

FORMAT OF IMPLEMENTATION PLAN FOR HIGH CAPACITY MUNICIPALITIES (for 30 October 2007)

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
Non-current Assets held for Sale and Discontinued Operations (IFRS 5/AC142)	Classification, measurement and disclosure of non-current assets held for sale. <i>[paragraphs 6 – 14, 15 – 29 (in so far as it relates to non-current assets held for sale), 38 – 42]</i>	To recognize land/property as held for sale within the near future.	Dir. Infra & Planning Dir. Com Services Dir. Econ Developm	<i>Will be disclosed in 2008/2009 AFS</i>
Financial Instruments: Disclosures (IFRS 7/AC 144)	Entire Standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	Completed	C F O	<i>Will be disclosed in 2008/2009 AFS</i>
Construction Contracts (IAS 11/AC 109)	Entire Standard	Not applicable to Overstrand		n/a
Business Combinations (IFRS 3/AC 140)	Entire Standard	Not applicable to Overstrand		n/a
Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134)	Entire Standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9	- Review accounting policy to: - account grant as deferred income, or - account grant by deducting from carrying amount of asset.	C F O	<i>Will be disclosed in 2008/2009 AFS</i>

FORMAT OF IMPLEMENTATION PLAN FOR HIGH CAPACITY MUNICIPALITIES (for 30 October 2007)

